Nangia Andersen LLP

NEWSFLASH

CBDT mandates furnishing information on capital gains, dividend and interest

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Overview of newly inserted sub rule 5A

- A Statement of Financial Transactions (SFT) is supposed to be furnished in a prescribed form/ manner by a class of specified persons (reporting persons) as per the Income Tax Act. A new sub rule 5A has been inserted under Rule 114E, specifying additional reporting requirement by a class of persons.
- Frequency and manner of furnishing the statement of the financial transaction to be specified.

Applicability

S.No.	Nature of transaction	Reporting person
1	Capital gain arising on transfer of listed securities or units of mutual fund	• Recognised Stock exchange as per section 2(f) of SCRA, 1956; • Depository as per section 2(1)(e) of the Depositories Act, 1966; • Recognised Clearing Corporation as per regulation 2(1)(o) under SCR Act, 1956 and SEBI, 1992; • Registrar to an issue and share transfer agent registered under section 12(1) of the SEBI Act, 1992.
2	**Dividend Income**	• **Company**
3	Interest income	• A banking company or a cooperative bank (Banking Regulation Act, 1949, including as specified in section 51); • Post Master General as per section 2(j) of Indian Post Office Act,1898; • Non-banking financial company which can hold or accept deposit from public under section 45-IA of RBI Act, 1934.

- The above provisions are applicable from 12 March 2021.

Impact of Provisions

- Companies paying dividend/ other reporting persons enlisted above shall have to ensure compliance and reporting requirement.
- Based on the SFT, the Income Tax Returns of the recipients, shall be pre-filled with the amount of dividend income, interest income and income from capital gains on transfer of listed securities or units of Mutual funds.

How we can assist

Assistance in obtaining registration on the reporting portal for the specified reporting person.	Assistance in furnishing the required information in the Form and manner as may be prescribed.

Nangia Andersen LLP's Take

The new provisions have the effect of enhancing the scope of compliance under SFT. Reporting persons, including companies paying dividends, shall have to adhere to the requirements mandatorily.

Pre-filling of Income Tax Return Forms, based on information obtained from SFT, shall discourage the taxpayers from suppressing information about their financial transactions from tax authorities and resultantly, shall help widen the tax base. Simultaneously, it shall facilitate the taxpayers to verify such details with the information available on records, while filing the Income Tax Returns.

NOIDA
(Delhi NCR - Corporate Office)
A-109, Sector - 136,
Noida - 201304
T: +91 120 5123000

DELHI
(Registered Office)
B-27, Soami Nagar,
New Delhi - 110017
T: +91 0120 5123000

GURUGRAM
812-814, Tower B, Emaar Digital
Greens, Sector-61, Gurugram,
Haryana - 122102
T: +91 0124 430 1551

MUMBAI
11th Floor, B Wing, Peninsula Business
Park, Ganpatrao Kadam Marg, Lower
Parel, Mumbai - 400013, India
T: +91 22 61737000

CHENNAI
Prestige Palladium Bayan,
Level 5, 129-140, Greams Road,
Thousand Lights, Chennai - 600006
T: +91 44 46549201

BENGALURU
Embassy Square, #306, 3rd Floor
148 Infantry Road, Bengaluru,
Karnataka 560001
T: +91 8022280999

PUNE
3rd Floor, Park Plaza, CTS 1085,
Ganeshkhind Road, Next to Pune
Central Mall, Shivajinagar,
Pune - 411005

DEHRADUN
1st Floor, "IDA" 46 E.C. Road,
Dehradun - 248001, Uttarakhand
T: +91 135 271 6300

www.nangia-andersen.com | query@nangia-andersen.com

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